

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2060

To promote freedom, fairness, and economic opportunity for families by  
reducing the power and reach of the Federal establishment.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 19, 1995

Mr. ARMEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Government Reform and Oversight, the Budget, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To promote freedom, fairness, and economic opportunity for  
families by reducing the power and reach of the Federal  
establishment.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Freedom and Fairness Restoration Act of 1995”.

6       (b) TABLE OF CONTENTS.—

Sec. 1. Short title.

TITLE I—TAX REDUCTION AND SIMPLIFICATION;  
SUPERMAJORITY REQUIRED FOR TAX CHANGES

Subtitle A—Tax Reduction and Simplification

- Sec. 101. Individual income tax.
- Sec. 102. Tax on business activities.
- Sec. 103. Simplification of rules relating to qualified retirement plans.
- Sec. 104. Repeal of alternative minimum tax.
- Sec. 105. Repeal of credits.
- Sec. 106. Repeal of estate and gift taxes and obsolete income tax provisions.
- Sec. 107. Effective date.

Subtitle B—Supermajority Required for Tax Changes

- Sec. 111. Supermajority required.

TITLE II—SPENDING RESTRAINT AND BUDGET PROCESS  
REFORM

Subtitle A—Joint Budget Resolution

- Sec. 201. Joint budget resolution.

Subtitle B—Zero Based Budgeting and Decennial Sunsetting

- Sec. 211. Reauthorization of discretionary programs and unearned entitlements.
- Sec. 212. Point of order.
- Sec. 213. Decennial sunsetting.

Subtitle C—Spending Caps on the Growth of Entitlements for Fiscal Years  
1996 Through 2002

- Sec. 221. Spending caps on growth of entitlements and mandatories.
- Sec. 222. Exempt programs and activities.
- Sec. 223. Exceptions, limitations, and special rules.
- Sec. 224. Point of order.

Subtitle D—Balanced Budget by Fiscal Year 2002

- Sec. 231. Maximum spending amounts.
- Sec. 232. Enforcing maximum spending sequestration.
- Sec. 233. Total spending point of order.

1 **TITLE I—TAX REDUCTION AND**  
2 **SIMPLIFICATION;**  
3 **SUPERMAJORITY REQUIRED**  
4 **FOR TAX CHANGES**  
5 **Subtitle A—Tax Reduction and**  
6 **Simplification**

7 **SEC. 101. INDIVIDUAL INCOME TAX.**

8 (a) IN GENERAL.—Section 1 of the Internal Revenue  
9 Code of 1986 is amended to read as follows:

10 **“SECTION 1. TAX IMPOSED.**

11 “There is hereby imposed on the taxable income of  
12 every individual a tax equal to 20 percent (17 percent in  
13 the case of taxable years beginning after December 31,  
14 1997) of the taxable income of such individual for such  
15 taxable year.”

16 (b) TAXABLE INCOME.—Section 63 of such Code is  
17 amended to read as follows:

18 **“SEC. 63. TAXABLE INCOME.**

19 “(a) IN GENERAL.—For purposes of this subtitle, the  
20 term ‘taxable income’ means the excess of—

21 “(1) the sum of—

22 “(A) wages (as defined in section 3121(a)  
23 without regard to paragraph (1) thereof) which  
24 are paid in cash and which are received during

1 the taxable year for services performed in the  
2 United States,

3 “(B) retirement distributions which are in-  
4 cludible in gross income for such taxable year,  
5 plus

6 “(C) amounts received under any law of  
7 the United States or of any State which is in  
8 the nature of unemployment compensation, over  
9 “(2) the standard deduction.

10 “(b) STANDARD DEDUCTION.—

11 “(1) IN GENERAL.—For purposes of this sub-  
12 title, the term ‘standard deduction’ means the sum  
13 of—

14 “(A) the basic standard deduction, plus

15 “(B) the additional standard deduction.

16 “(2) BASIC STANDARD DEDUCTION.—For pur-  
17 poses of paragraph (1), the basic standard deduction  
18 is—

19 “(A) \$21,400 in the case of—

20 “(i) a joint return, or

21 “(ii) a surviving spouse (as defined in  
22 section 2(a)),

23 “(B) \$14,000 in the case of a head of  
24 household (as defined in section 2(b)), and

1           “(C) \$10,700 in the case of an individ-  
2           ual—

3                   “(i) who is not married and who is  
4                   not a surviving spouse or head of house-  
5                   hold, or

6                   “(ii) who is a married individual filing  
7                   a separate return.

8           “(3) ADDITIONAL STANDARD DEDUCTION.—For  
9           purposes of paragraph (1), the additional standard  
10          deduction is \$5,000 for each dependent (as defined  
11          in section 152) who is described in section 151(c)(1)  
12          for the taxable year and who is not required to file  
13          a return for such taxable year.

14          “(c) RETIREMENT DISTRIBUTIONS.—For purposes of  
15          subsection (a), the term ‘retirement distribution’ means  
16          any distribution from—

17                  “(1) a plan described in section 401(a) which  
18                  includes a trust exempt from tax under section  
19                  501(a),

20                  “(2) an annuity plan described in section  
21                  403(a),

22                  “(3) an annuity contract described in section  
23                  403(b),

24                  “(4) an individual retirement account described  
25                  in section 408(a),

1           “(5) an individual retirement annuity described  
2           in section 408(b),

3           “(6) an eligible deferred compensation plan (as  
4           defined in section 457);

5           “(7) a governmental plan (as defined in section  
6           414(d)); or

7           “(8) a trust described in section 501(c)(18).

8       Such term includes any plan, contract, account, annuity,  
9       or trust which, at any time, has been determined by the  
10      Secretary to be such a plan, contract, account, annuity,  
11      or trust.

12       “(d) INCOME OF CERTAIN CHILDREN.—For purposes  
13      of this subtitle—

14           “(1) an individual’s taxable income shall include  
15           the taxable income of each dependent child of such  
16           individual who has not attained age 14 as of the  
17           close of such taxable year, and

18           “(2) such dependent child shall have no liability  
19           for tax imposed by section 1 with respect to such in-  
20           come and shall not be required to file a return for  
21           such taxable year.

22       “(e) INFLATION ADJUSTMENT.—

23           “(1) IN GENERAL.—In the case of any taxable  
24           year beginning in a calendar year after 1996, each  
25           dollar amount contained in subsection (b) shall be

1 increased by an amount determined by the Secretary  
2 to be equal to—

3 “(A) such dollar amount, multiplied by

4 “(B) the cost-of-living adjustment for such  
5 calendar year.

6 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-  
7 poses of paragraph (1), the cost-of-living adjustment  
8 for any calendar year is the percentage (if any) by  
9 which—

10 “(A) the CPI for the preceding calendar  
11 year, exceeds

12 “(B) the CPI for the calendar year 1995.

13 “(3) CPI FOR ANY CALENDAR YEAR.—For pur-  
14 poses of paragraph (2), the CPI for any calendar  
15 year is the average of the Consumer Price Index as  
16 of the close of the 12-month period ending on Au-  
17 gust 31 of such calendar year.

18 “(4) CONSUMER PRICE INDEX.—For purposes  
19 of paragraph (3), the term ‘Consumer Price Index’  
20 means the last Consumer Price Index for all-urban  
21 consumers published by the Department of Labor.  
22 For purposes of the preceding sentence, the revision  
23 of the Consumer Price Index which is most consist-  
24 ent with the Consumer Price Index for calendar year  
25 1986 shall be used.

1           “(5) ROUNDING.—If any increase determined  
2           under paragraph (1) is not a multiple of \$10, such  
3           increase shall be rounded to the next highest mul-  
4           tiple of \$10.

5           “(f) MARITAL STATUS.—For purposes of this section,  
6           marital status shall be determined under section 7703.”

7   **SEC. 102. TAX ON BUSINESS ACTIVITIES.**

8           (a) IN GENERAL.—Section 11 of the Internal Reve-  
9           nue Code of 1986 (relating to tax imposed on corpora-  
10          tions) is amended to read as follows:

11   **“SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.**

12          “(a) TAX IMPOSED.—There is hereby imposed on  
13          every person engaged in a business activity a tax equal  
14          to 20 percent (17 percent in the case of taxable years be-  
15          ginning after December 31, 1997) of the business taxable  
16          income of such person.

17          “(b) LIABILITY FOR TAX.—The tax imposed by this  
18          section shall be paid by the person engaged in the business  
19          activity, whether such person is an individual, partnership,  
20          corporation, or otherwise.

21          “(c) BUSINESS TAXABLE INCOME.—For purposes of  
22          this section—

23                 “(1) IN GENERAL.—The term ‘business taxable  
24                 income’ means gross active income reduced by the  
25                 deductions specified in subsection (d).



1 “(2) GROSS ACTIVE INCOME.—

2 “(A) IN GENERAL.—For purposes of para-  
3 graph (1), the term ‘gross active income’ means  
4 gross receipts from—

5 “(i) the sale or exchange of property  
6 or services in the United States by any  
7 person in connection with a business activ-  
8 ity, and

9 “(ii) the export of property or services  
10 from the United States in connection with  
11 a business activity.

12 “(B) EXCHANGES.—For purposes of this  
13 section, the amount treated as gross receipts  
14 from the exchange of property or services is the  
15 fair market value of the property or services re-  
16 ceived, plus any money received.

17 “(C) COORDINATION WITH SPECIAL RULES  
18 FOR FINANCIAL SERVICES, ETC.—Except as  
19 provided in subsection (e)—

20 “(i) the term ‘property’ does not in-  
21 clude money or any financial instrument,  
22 and

23 “(ii) the term ‘services’ does not in-  
24 clude financial services.

1           “(3) EXEMPTION FROM TAX FOR ACTIVITIES OF  
2       GOVERNMENTAL ENTITIES AND TAX-EXEMPT ORGA-  
3       NIZATIONS.—For purposes of this section, the term  
4       ‘business activity’ does not include any activity of a  
5       governmental entity or of any other organization  
6       which is exempt from tax under this chapter.

7       “(d) DEDUCTIONS.—

8           “(1) IN GENERAL.—The deductions specified in  
9       this subsection are—

10           “(A) the cost of business inputs for the  
11       business activity,

12           “(B) wages (as defined in section 3121(a)  
13       without regard to paragraph (1) thereof) which  
14       are paid in cash for services performed in the  
15       United States as an employee, and

16           “(C) retirement contributions to or under  
17       any plan or arrangement which makes retire-  
18       ment distributions (as defined in section 63(c))  
19       for the benefit of such employees to the extent  
20       such contributions are allowed as a deduction  
21       under section 404.

22       “(2) BUSINESS INPUTS.—

23           “(A) IN GENERAL.—For purposes of para-  
24       graph (1), the term ‘cost of business inputs’  
25       means—

1 “(i) the amount paid for property sold  
2 or used in connection with a business ac-  
3 tivity,

4 “(ii) the amount paid for services  
5 (other than for the services of employees,  
6 including fringe benefits paid by reason of  
7 such services) in connection with a busi-  
8 ness activity, and

9 “(iii) any excise tax, sales tax, cus-  
10 toms duty, or other separately stated levy  
11 imposed by a Federal, State, or local gov-  
12 ernment on the purchase of property or  
13 services which are for use in connection  
14 with a business activity.

15 Such term shall not include any tax imposed by  
16 chapter 2 or 21.

17 “(B) EXCEPTIONS.—Such term shall not  
18 include—

19 “(i) items described in subparagraphs  
20 (B) and (C) of paragraph (1), and

21 “(ii) items for personal use not in  
22 connection with any business activity.

23 “(C) EXCHANGES.—For purposes of this  
24 section, the amount treated as paid in connec-  
25 tion with the exchange of property or services

1 is the fair market value of the property or serv-  
2 ices exchanged, plus any money paid.

3 “(e) SPECIAL RULES FOR FINANCIAL INTER-  
4 MEDIATION SERVICE ACTIVITIES.—In the case of the  
5 business activity of providing financial intermediation  
6 services, the taxable income from such activity shall be  
7 equal to the value of the intermediation services provided  
8 in such activity.

9 “(f) EXCEPTION FOR SERVICES PERFORMED AS EM-  
10 PLOYEE.—For purposes of this section, the term ‘business  
11 activity’ does not include the performance of services by  
12 an employee for the employee’s employer.

13 “(g) CARRYOVER OF EXCESS DEDUCTIONS.—

14 “(1) IN GENERAL.—If the aggregate deductions  
15 for any taxable year exceed the gross active income  
16 for such taxable year, the amount of the deductions  
17 specified in subsection (d) for the succeeding taxable  
18 year (determined without regard to this subsection)  
19 shall be increased by the sum of—

20 “(A) such excess, plus

21 “(B) the product of such excess and the 3-  
22 month Treasury rate for the last month of such  
23 taxable year.

24 “(2) 3-MONTH TREASURY RATE.—For purposes  
25 of paragraph (1), the 3-month Treasury rate is the

1 rate determined by the Secretary based on the aver-  
2 age market yield (during any 1-month period se-  
3 lected by the Secretary and ending in the calendar  
4 month in which the determination is made) on out-  
5 standing marketable obligations of the United States  
6 with remaining periods to maturity of 3 months or  
7 less.”

8 (b) TAX ON TAX-EXEMPT ENTITIES PROVIDING  
9 NONCASH COMPENSATION TO EMPLOYEES.—Section  
10 4977 of such Code is amended to read as follows:

11 **“SEC. 4977. TAX ON NONCASH COMPENSATION PROVIDED**  
12 **TO EMPLOYEES NOT ENGAGED IN BUSINESS**  
13 **ACTIVITY.**

14 “(a) IMPOSITION OF TAX.—There is hereby imposed  
15 a tax equal to 20 percent (17 percent in the case of cal-  
16 endar years beginning after December 31, 1997) of the  
17 value of excludable compensation provided during the cal-  
18 endar year by an employer for the benefit of employees  
19 to whom this section applies.

20 “(b) LIABILITY FOR TAX.—The tax imposed by this  
21 section shall be paid by the employer.

22 “(c) EXCLUDABLE COMPENSATION.—For purposes  
23 of subsection (a), the term ‘excludable compensation’  
24 means any remuneration for services performed as an em-  
25 ployee other than—

1           “(1) wages (as defined in section 3121(a) with-  
2           out regard to paragraph (1) thereof) which are paid  
3           in cash,

4           “(2) remuneration for services performed out-  
5           side the United States, and

6           “(3) retirement contributions to or under any  
7           plan or arrangement which makes retirement dis-  
8           tributions (as defined in section 63(c)).

9           “(d) EMPLOYEES TO WHOM SECTION APPLIES.—  
10          This section shall apply to an employee who is employed  
11          in any activity by—

12           “(1) any organization which is exempt from  
13           taxation under this chapter, or

14           “(2) any agency or instrumentality of the  
15           United States, any State or political subdivision of  
16           a State, or the District of Columbia.”

17       **SEC. 103. SIMPLIFICATION OF RULES RELATING TO QUALI-**  
18                               **FIED RETIREMENT PLANS.**

19           (a) IN GENERAL.—The following provisions of the In-  
20          ternal Revenue Code of 1986 are hereby repealed:

21           (1) NONDISCRIMINATION RULES.—

22                   (A) Paragraphs (4) and (5) of section  
23                   401(a) (relating to nondiscrimination require-  
24                   ments).

1 (B) Sections 401(a)(10)(B) and 416 (re-  
2 lating to top heavy plans).

3 (C) Section 401(a)(17) (relating to com-  
4 pensation limit).

5 (D) Sections 401(a)(26) and 410(b) (relat-  
6 ing to minimum participation and coverage re-  
7 quirements).

8 (E) Sections 401(k)(3), 401(k)(8), and  
9 4979 (relating to actual deferral percentage).

10 (F) Section 401(l) (relating to permitted  
11 disparity in plan contributions or benefits).

12 (G) Section 401(m) (relating to non-  
13 discrimination test for matching contributions  
14 and employee contributions).

15 (H) Paragraphs (1)(D) and (12) of section  
16 403(b) (relating to nondiscrimination require-  
17 ments).

18 (I) Paragraph (3) of section 408(k) and  
19 paragraph (6) (other than subparagraph (A)(i))  
20 of such section (relating to simplified employee  
21 pensions).

22 (2) CONTRIBUTION LIMITS.—

23 (A) Sections 401(a)(16), 403(b) (2) and  
24 (3), and 415 (relating to limitations on benefits  
25 and contributions under qualified plans).

1 (B) Sections 401(a)(30) and 402(g) (relat-  
2 ing to limitation on exclusion for elective defer-  
3 rals).

4 (C) Paragraphs (3) and (7) of section  
5 404(a) (relating to percentage of compensation  
6 limits).

7 (D) Section 404(l) (relating to limit on in-  
8 cludible compensation).

9 (3) RESTRICTIONS ON DISTRIBUTIONS.—

10 (A) Section 72(t) (relating to 10-percent  
11 additional tax on early distributions from quali-  
12 fied retirement plans).

13 (B) Sections 401(a)(9), 403(b)(10), and  
14 4974 (relating to minimum distribution rules).

15 (C) Section 402(d) (relating to tax on  
16 lump sum distributions).

17 (D) Section 402(e)(4) (relating to net un-  
18 realized appreciation).

19 (E) Section 4980A (relating to tax on ex-  
20 cess distributions from qualified retirement  
21 plans).

22 (4) SPECIAL REQUIREMENTS FOR PLAN BENE-  
23 FITTING SELF-EMPLOYED INDIVIDUALS.—Subsections  
24 (a)(10)(A) and (d) of section 401.



1           (5) PROHIBITION OF TAX-EXEMPT ORGANIZA-  
2           TIONS AND GOVERNMENTS FROM HAVING QUALIFIED  
3           CASH OR DEFERRED ARRANGEMENTS.—Section  
4           401(k)(4)(B).

5           (b) EMPLOYER REVERSIONS OF EXCESS PENSION  
6           ASSETS PERMITTED SUBJECT ONLY TO INCOME INCLU-  
7           SION.—

8           (1) REPEAL OF TAX ON EMPLOYER REVER-  
9           SIONS.—Section 4980 of such Code is hereby re-  
10          pealed.

11          (2) EMPLOYER REVERSIONS PERMITTED WITH-  
12          OUT PLAN TERMINATION.—Section 420 of such  
13          Code is amended to read as follows:

14       **“SEC. 420. TRANSFERS OF EXCESS PENSION ASSETS.**

15       “(a) IN GENERAL.—If there is a qualified transfer  
16       of any excess pension assets of a defined benefit plan  
17       (other than a multiemployer plan) to an employer—

18               “(1) a trust which is part of such plan shall not  
19       be treated as failing to meet the requirements of sec-  
20       tion 401(a) or any other provision of law solely by  
21       reason of such transfer (or any other action author-  
22       ized under this section), and

23               “(2) such transfer shall not be treated as a pro-  
24       hibited transaction for purposes of section 4975.

1 The gross income of the employer shall include the amount  
2 of any qualified transfer made during the taxable year.

3 “(b) QUALIFIED TRANSFER.—For purposes of this  
4 section—

5 “(1) IN GENERAL.—The term ‘qualified trans-  
6 fer’ means a transfer—

7 “(A) of excess pension assets of a defined  
8 benefit plan to the employer, and

9 “(B) with respect to which the vesting re-  
10 quirements of subsection (c) are met in connec-  
11 tion with the plan.

12 “(2) ONLY 1 TRANSFER PER YEAR.—No more  
13 than 1 transfer with respect to any plan during a  
14 taxable year may be treated as a qualified transfer  
15 for purposes of this section.

16 “(c) VESTING REQUIREMENTS OF PLANS TRANSFER-  
17 RING ASSETS.—The vesting requirements of this sub-  
18 section are met if the plan provides that the accrued pen-  
19 sion benefits of any participant or beneficiary under the  
20 plan become nonforfeitable in the same manner which  
21 would be required if the plan had terminated immediately  
22 before the qualified transfer (or in the case of a partici-  
23 pant who separated during the 1-year period ending on  
24 the date of the transfer, immediately before such separa-  
25 tion).

1       “(d) DEFINITION AND SPECIAL RULE.—For pur-  
2 poses of this section—

3               “(1) EXCESS PENSION ASSETS.—The term ‘ex-  
4 cess pension assets’ means the excess (if any) of—

5                       “(A) the amount determined under section  
6 412(c)(7)(A)(ii), over

7                       “(B) the greater of—

8                               “(i) the amount determined under  
9 section 412(c)(7)(A)(i), or

10                              “(ii) 125 percent of current liability  
11 (as defined in section 412(c)(7)(B)).

12       The determination under this paragraph shall be  
13 made as of the most recent valuation date of the  
14 plan preceding the qualified transfer.

15               “(2) COORDINATION WITH SECTION 412.—In  
16 the case of a qualified transfer—

17                       “(A) any assets transferred in a plan year  
18 on or before the valuation date for such year  
19 (and any income allocable thereto) shall, for  
20 purposes of section 412, be treated as assets in  
21 the plan as of the valuation date for such year,  
22 and

23                       “(B) the plan shall be treated as having a  
24 net experience loss under section  
25 412(b)(2)(B)(iv) in an amount equal to the

1 amount of such transfer and for which amorti-  
 2 zation charges begin for the first plan year  
 3 after the plan year in which such transfer oc-  
 4 curs, except that such section shall be applied  
 5 to such amount by substituting ‘10 plan years’  
 6 for ‘5 plan years’.”

7 **SEC. 104. REPEAL OF ALTERNATIVE MINIMUM TAX.**

8 Part VI of subchapter A of chapter 1 of the Internal  
 9 Revenue Code of 1986 is hereby repealed.

10 **SEC. 105. REPEAL OF CREDITS.**

11 Part IV of subchapter A of chapter 1 of the Internal  
 12 Revenue Code of 1986 is hereby repealed.

13 **SEC. 106. REPEAL OF ESTATE AND GIFT TAXES AND OBSO-**  
 14 **LETE INCOME TAX PROVISIONS.**

15 (a) REPEAL OF ESTATE AND GIFT TAXES.—

16 (1) IN GENERAL.—Subtitle B of the Internal  
 17 Revenue Code of 1986 is hereby repealed.

18 (2) EFFECTIVE DATE.—The repeal made by  
 19 paragraph (1) shall apply to the estates of decedents  
 20 dying, and gifts and generation-skipping transfers  
 21 made, after December 31, 1995.

22 (b) REPEAL OF OBSOLETE INCOME TAX PROVI-  
 23 SIONS.—

1 (1) IN GENERAL.—Except as provided in para-  
2 graph (2), chapter 1 of the Internal Revenue Code  
3 of 1986 is hereby repealed.

4 (2) EXCEPTIONS.—Paragraph (1) shall not  
5 apply to—

6 (A) sections 1, 11, and 63 of such Code,  
7 as amended by this Act,

8 (B) those provisions of chapter 1 of such  
9 Code which are necessary for determining  
10 whether or not—

11 (i) retirement distributions are includ-  
12 ible in the gross income of employees, or

13 (ii) an organization is exempt from  
14 tax under such chapter, and

15 (C) subchapter D of such chapter 1 (relat-  
16 ing to deferred compensation).

17 **SEC. 107. EFFECTIVE DATE.**

18 Except as otherwise provided in this subtitle, the  
19 amendments made by this subtitle shall apply to taxable  
20 years beginning after December 31, 1995.

21 **Subtitle B—Supermajority**  
22 **Required for Tax Changes**

23 **SEC. 111. SUPERMAJORITY REQUIRED.**

24 (a) IN GENERAL.—It shall not be in order in the  
25 House of Representatives or the Senate to consider any

1 bill, joint resolution, amendment thereto, or conference re-  
2 port thereon that includes any provision that—

- 3 (1) increases any Federal income tax rate,
- 4 (2) creates any additional Federal income tax
- 5 rate,
- 6 (3) reduces the standard deduction, or
- 7 (4) provides any exclusion, deduction, credit or
- 8 other benefit which results in a reduction in Federal
- 9 revenues.

10 (b) WAIVER OR SUSPENSION.—This section may be  
11 waived or suspended in the House of Representatives or  
12 the Senate only by the affirmative vote of three-fifths of  
13 the Members, duly chosen and sworn.

14 **TITLE II—SPENDING RESTRAINT**  
15 **AND BUDGET PROCESS REFORM**  
16 **Subtitle A—Joint Budget**  
17 **Resolution**

18 **SEC. 201. JOINT BUDGET RESOLUTION.**

19 (a) DEFINITIONS.—Paragraph (4) of section 3 of the  
20 Congressional Budget Act of 1974 is amended to read as  
21 follows:

22 “(4) the term ‘joint resolution on the budget’  
23 means—

24 “(A) a joint resolution setting forth the  
25 congressional budget for the United States Gov-

1           ernment for a fiscal year as provided in section  
2           301; and

3           “(B) any other joint resolution revising the  
4           congressional budget for the United States Gov-  
5           ernment for a fiscal year as described in section  
6           304.”.

7           (b) JOINT RESOLUTION ON THE BUDGET.—(1) Sec-  
8           tion 300 is amended by striking “concurrent resolution”  
9           each place it appears and inserting “joint resolution”.

10          (2) Section 301(a) of the Congressional Budget Act  
11          of 1974 is amended by striking “concurrent resolution”  
12          each place it appears including in the caption and insert-  
13          ing “joint resolution”.

14          (3) Section 301(b) is amended by striking “concur-  
15          rent resolution” each place it appears including in the cap-  
16          tion and inserting “joint resolution”.

17          (4) Section 301(c) is amended by striking “concur-  
18          rent resolution” each place it appears and inserting “joint  
19          resolution”.

20          (5) Section 301(e) is amended by striking “concur-  
21          rent resolution” each place it appears and inserting “joint  
22          resolution”.

23          (6) Section 301(f) is amended by striking “concur-  
24          rent resolution” each place it appears and inserting “joint  
25          resolution”.

1       (7) Section 301(g) is amended by striking “concur-  
2 rent resolution” each place it appears and inserting “joint  
3 resolution”.

4       (8) Section 301(h) is amended by striking “concur-  
5 rent resolution” and inserting “joint resolution”.

6       (9) Section 301(i) is amended by striking “concur-  
7 rent resolution” each place it appears and inserting “joint  
8 resolution”.

9       (10) The section heading of section 301 is amended  
10 by striking “**ANNUAL ADOPTION OF CONCURRENT**”  
11 and inserting “**ANNUAL ADOPTION OF JOINT**”.

12       (11) The table of contents set forth in section 1(b)  
13 of the Congressional Budget and Impoundment Control  
14 Act of 1974 is amended by striking “Annual adoption of  
15 the concurrent” in the item relating to section 301 and  
16 inserting “Annual adoption of the joint”.

17       (12) Section 302 is amended by striking “concurrent  
18 resolution” each place it appears and inserting “joint reso-  
19 lution”.

20       (13) Section 303, including the heading, is amended  
21 by striking “concurrent resolution” each place it appears  
22 and inserting “joint resolution”.

23       (14) The table of contents set forth in section 1(b)  
24 of the Congressional Budget and Impoundment Control



1 Act of 1974 is amended by striking “Concurrent” in the  
2 item relating to section 303 and inserting “Joint”.

3 (15) Section 304 is amended by striking “concurrent  
4 resolution”, including in the heading, each place it appears  
5 and inserting “joint resolution”.

6 (16) The table of contents set forth in section 1(b)  
7 of the Congressional Budget and Impoundment Control  
8 Act of 1974 is amended by striking “Concurrent” in the  
9 item relating to section 304 and inserting “Joint”.

10 (17) Section 305 is amended by striking “concurrent  
11 resolution”, including in the heading, each place it appears  
12 and inserting “joint resolution”.

13 (18) Section 308 is amended by striking “concurrent  
14 resolution” each place it appears and inserting “joint reso-  
15 lution”.

16 (19) Section 310 is amended by striking “concurrent  
17 resolution” each place it appears and inserting “joint reso-  
18 lution”.

19 (20) Section 311 is amended by striking “concurrent  
20 resolution” each place it appears and inserting “joint reso-  
21 lution”.

1     **Subtitle B—Zero Based Budgeting**  
2             **and Decennial Sunsetting**

3     **SEC. 211. REAUTHORIZATION OF DISCRETIONARY PRO-**  
4             **GRAMS AND UNEARNED ENTITLEMENTS.**

5             (a) FISCAL YEAR 1996.—Effective October 1, 1995,  
6     spending authority for each unearned entitlement and  
7     high-cost discretionary spending program is terminated  
8     unless such spending authority is reauthorized after the  
9     date of enactment of this Act.

10            (b) FISCAL YEAR 1997.—Effective October 1, 1996,  
11     spending authority for each discretionary spending pro-  
12     gram (not including high-cost discretionary spending pro-  
13     grams) is terminated unless such spending authority is re-  
14     authorized after the date of enactment of this Act.

15            (c) DEFINITIONS.—For purposes of this subtitle—

16                (1) the term “unearned entitlement” means an  
17     entitlement not earned by service or paid for in total  
18     or in part by assessments or contributions such as  
19     Social Security, veterans’ benefits, retirement pro-  
20     grams, and medicare; and

21                (2) the term “high-cost discretionary program”  
22     means the most expensive one-third of discretionary  
23     program within each budget function account.

1 **SEC. 212. POINT OF ORDER.**

2 (a) IN GENERAL.—It shall not be in order in the  
3 House of Representatives or the Senate to consider any  
4 bill, joint resolution, amendment, or conference report that  
5 includes any provision that appropriates funds unless such  
6 appropriation has been previously authorized by law.

7 (b) WAIVER OR SUSPENSION.—This section may be  
8 waived or suspended in the House of Representatives or  
9 the Senate only by the affirmative vote of three-fifths of  
10 the Members, duly chosen and sworn.

11 **SEC. 213. DECENNIAL SUNSETTING.**

12 (a) FIRST DECENNIAL CENSUS YEAR.—Effective on  
13 the first day of the fiscal year beginning in the first decen-  
14 nial census year after the year 2001 and each 10 years  
15 thereafter, the spending authority described in section  
16 211(a) is terminated unless such spending authority is re-  
17 authorized after the last date the spending authority was  
18 required to be reauthorized under this subtitle.

19 (b) FIRST DECENNIAL CENSUS YEAR.—Effective on  
20 the first day of the fiscal year beginning in the year after  
21 the first decennial census year after the year 2001 and  
22 each 10 years thereafter, the spending authority described  
23 in section 211(b) is terminated unless such spending au-  
24 thority is reauthorized after the last date the spending au-  
25 thority was required to be reauthorized under this subtitle.

1 **Subtitle C—Spending Caps on the**  
2 **Growth of Entitlements for Fis-**  
3 **cal Years 1996 Through 2002**

4 **SEC. 221. SPENDING CAPS ON GROWTH OF ENTITLEMENTS**  
5 **AND MANDATORIES.**

6 (a) CAP ON GROWTH OF ENTITLEMENTS.—Effective  
7 for each of the fiscal years 1996 through 2002, the total  
8 level of entitlement and mandatory spending, excluding  
9 Social Security, shall not exceed the total level for the pre-  
10 vious fiscal year increased by the consumer price index,  
11 and the growth in eligible population.

12 (b) SEQUESTRATION.—Within 15 days after Con-  
13 gress adjourns to end a session, and on the same day as  
14 a sequestration (if any) under section 253 of the Balanced  
15 Budget and Emergency Deficit Control Act of 1985, there  
16 shall be a sequestration to reduce the amount of entitle-  
17 ment and mandatory spending for the fiscal year begin-  
18 ning in the year the Congress adjourns by any amount  
19 necessary to reduce such spending to the level set forth  
20 in subsection (a) unless that amount is less than  
21 \$250,000,000.

22 (c) UNIFORM REDUCTIONS; LIMITATIONS.—The  
23 amount required to be sequestered for the fiscal year  
24 under subsection (a) shall be obtained from nonexempt di-

1 rect spending accounts by actions taken in the following  
2 order:

3 (1) FIRST.—The reductions in the programs  
4 specified in section 223(a) (National Wool Act and  
5 special milk), section 223(b) (guaranteed student  
6 loans), and section 223(c) (foster care and adoption  
7 assistance) shall be made.

8 (2) SECOND.—Any additional reductions that  
9 may be required shall be achieved by reducing each  
10 remaining nonexempt direct spending account by the  
11 uniform percentage necessary to achieve those addi-  
12 tional reductions, except that—

13 (A) the low-income programs specified in  
14 section 223(d) shall not be reduced by more  
15 than 1 percent;

16 (B) the retirement and veterans benefits  
17 specified in section 223(e) shall not be reduced  
18 by more than 2 percent in the manner specified  
19 in that section; and

20 (C) the medicare programs shall not be re-  
21 duced by more than 4 percent in the manner  
22 specified in section 223(f).

23 The limitations set forth in subparagraphs (A), (B),  
24 and (C) shall be applied iteratively, and after each  
25 iteration the uniform percentage applicable to all

1       other programs under this paragraph shall be in-  
2       creased (if necessary) to a level sufficient to achieve  
3       the reductions required by this paragraph.

4   **SEC. 222. EXEMPT PROGRAMS AND ACTIVITIES.**

5       (a) DESCRIPTIONS AND LISTS.—Except as provided  
6   in subsection (b), the following budget accounts or activi-  
7   ties shall be exempt from sequestration:

8           (1) Net interest.

9           (2) All payments to trust funds from excise  
10   taxes or other receipts or collections properly cred-  
11   itable to those trust funds.

12          (3) All payments from one Federal direct  
13   spending budget account to another Federal budget  
14   account; and all intragovernmental funds including  
15   those from which funding is derived primarily from  
16   other Government accounts, except to the extent  
17   that such funds are augmented by direct appropria-  
18   tions for the fiscal year for which the order is in ef-  
19   fect.

20          (4) Activities resulting from private donations,  
21   bequests, or voluntary contributions to the Govern-  
22   ment.

23          (5) Payments from any revolving fund or trust-  
24   revolving fund (or similar activity) that provides de-  
25   posit insurance or other Government insurance, Gov-

ernment guarantees, or any other form of contingent liability, to the extent those payments result from contractual or other legally binding commitments of the Government at the time of any sequestration.

(6) Credit liquidating and financing accounts.

(7) The following accounts, which largely fulfill requirements of the Constitution or otherwise make payments to which the Government is committed—

Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);

Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);

Bureau of Indian Affairs, miscellaneous trust funds, tribal trust funds (14-9973-0-7-999);

Claims, defense;

Claims, judgments, and relief act (20-1895-0-1-806);

Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);

Compensation of the President (11-0001-0-1-802);

1 Customs Service, miscellaneous permanent  
2 appropriations (20-9992-0-2-852);

3 Eastern Indian land claims settlement  
4 fund (14-2202-0-1-806);

5 Farm Credit System Financial Assistance  
6 Corporation, interest payments (20-1850-0-1-  
7 351);

8 Internal Revenue collections of Puerto Rico  
9 (20-5737-0-2-852);

10 Panama Canal Commission, operating ex-  
11 penses and capital outlay (95-5190-0-2-403);

12 Payments of Vietnam and USS Pueblo  
13 prisoner-of-war claims (15-0104-0-1-153);

14 Payments to copyright owners (03-5175-  
15 0-2-376);

16 Payments to the United States territories,  
17 fiscal assistance (14-0418-0-1-801);

18 Payments to widows and heirs of deceased  
19 Members of Congress (00-0215-0-1-801);

20 Salaries of Article III judges;

21 Soldier's and Airmen's Home, payment of  
22 claims (84-8930-0-7-705);

23 Washington Metropolitan Area Transit Au-  
24 thority, interest payments (46-0300-0-1-401).



1 (8) The following noncredit special, revolving,  
2 ing, or trust-revolving funds—

3 Coinage profit fund (20-5811-0-2-803);

4 Comptroller of the Currency;

5 Director of the Office of Thrift Supervision;  
6 vision;

7 Exchange Stabilization Fund (20-4444-0-  
8 3-155);

9 Federal Housing Finance Board;

10 Foreign Military Sales trust fund (11-  
11 82232-0-7-155).

12 (9) Thrift Savings Fund.

13 (10) Appropriations for the District of Colum-  
14 bia to the extent they are appropriations of locally  
15 raised funds.

16 (11)(A) Any amount paid as regular unemploy-  
17 ment compensation by a State from its account in  
18 the Unemployment Trust Fund (established by sec-  
19 tion 904(a) of the Social Security Act).

20 (B) Any advance made to a State from the  
21 Federal unemployment account (established by sec-  
22 tion 904(g) of such Act) under title XII of such Act  
23 and any advance appropriated to the Federal unem-  
24 ployment account pursuant to section 1203 of such  
25 Act.

1           (C) Any payment made from the Federal Em-  
2       ployees Compensation Account (as established under  
3       section 909 of such Act) for the purpose of carrying  
4       out chapter 85 of title 5, United States Code, and  
5       funds appropriated or transferred to or otherwise  
6       deposited in such Account.

7           (12) The earned income tax credit (payments to  
8       individuals pursuant to section 32 of the Internal  
9       Revenue Code of 1986).

10       (b) FEDERAL ADMINISTRATIVE EXPENSES.—

11           (1) Notwithstanding any provision of law other  
12       than paragraph (3), administrative expenses in-  
13       curred by the departments and agencies, including  
14       independent agencies, of the Federal Government in  
15       connection with any program, project, activity, or ac-  
16       count shall be subject to reduction pursuant to any  
17       sequestration order, without regard to any exemp-  
18       tion, exception, limitation, or special rule otherwise  
19       applicable with respect to such program, project, ac-  
20       tivity, or account, and regardless of whether the pro-  
21       gram, project, activity, or account is self-supporting  
22       and does not receive appropriations.

23           (2) Payments made by the Federal Government  
24       to reimburse or match administrative costs incurred  
25       by a State or political subdivision under or in con-

1        nection with any program, project, activity, or ac-  
2        count shall not be considered administrative ex-  
3        penses of the Federal Government for purposes of  
4        this section, and shall be subject to sequestration to  
5        the extent (and only to the extent) that other pay-  
6        ments made by the Federal Government under or in  
7        connection with that program, project, activity, or  
8        account are subject to that reduction or sequestra-  
9        tion; except that Federal payments made to a State  
10       as reimbursement of administrative costs incurred  
11       by that State under or in connection with the unem-  
12       ployment compensation programs specified in sub-  
13       section (a)(11) shall be subject to reduction or se-  
14       questration under this part notwithstanding the ex-  
15       emption otherwise granted to such programs under  
16       that subsection.

17            (3) Notwithstanding any other provision of law,  
18       the administrative expenses of the following pro-  
19       grams shall be exempt from sequestration:

20            (A) Comptroller of the Currency.

21            (B) Federal Deposit Insurance Corpora-  
22       tion.

23            (C) Office of Thrift Supervision.

24            (D) National Credit Union Administration.

1 (E) National Credit Union Administration,  
2 central liquidity facility.

3 (F) Federal Retirement Thrift Investment  
4 Board.

5 (G) Resolution Funding Corporation.

6 (H) Resolution Trust Corporation.

7 (I) Board of Governors of the Federal Re-  
8 serve System.

9 **SEC. 223. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

10 (a) NATIONAL WOOL ACT AND THE SPECIAL MILK  
11 PROGRAM.—Automatic spending increases are increases  
12 in outlays due to changes in indexes in the following pro-  
13 grams:

14 (1) National Wool Act; and

15 (2) Special milk program.

16 In those programs all amounts other than the automatic  
17 spending increases shall be exempt from reduction under  
18 any sequestration order.

19 (b) THE GUARANTEED STUDENT LOAN PROGRAM.—

20 (1) Any reductions which are required to be achieved from  
21 the student loan programs operated pursuant to part B  
22 of title IV of the Higher Education Act of 1965 under  
23 any sequestration order shall be achieved only from loans  
24 described in paragraphs (2) and (3) by the application of  
25 the measures described in such paragraphs.

1       (2) For any loan made during the period beginning  
2 on the date that a sequestration order takes effect with  
3 respect to a fiscal year, the rate used in computing the  
4 special allowance payment pursuant to section  
5 438(b)(2)(A)(iii) of such Act for each of the first four spe-  
6 cial allowance payments for such loan shall be adjusted  
7 by reducing such rate by the lesser of—

8           (A) 0.40 percent, or

9           (B) the percentage by which the rate specified  
10 in such section exceeds 3 percent.

11       (3) For any loan made during the period beginning  
12 on the date that a sequestration order takes effect with  
13 respect to a fiscal year, the origination fee which is author-  
14 ized to be collected pursuant to section 438(c)(2) of such  
15 Act shall be increased by 0.50 percent.

16       (c) FOSTER CARE AND ADOPTION ASSISTANCE PRO-  
17 GRAMS.—Any sequestration order shall make the reduc-  
18 tion otherwise required under the foster care and adoption  
19 assistance programs (established by part E of title IV of  
20 the Social Security Act) only with respect to payments and  
21 expenditures made by States in which increases in foster  
22 care maintenance payment rates or adoption assistance  
23 payment rates (or both) are to take effect during the fiscal  
24 year involved, and only to the extent that the required re-  
25 duction can be accomplished by applying a uniform per-

1 centage reduction to the Federal matching payments that  
2 each such State would otherwise receive under section 474  
3 of that Act (for such fiscal year) for that portion of the  
4 State's payments attributable to the increases taking ef-  
5 fect during that year. No State's matching payments from  
6 the Federal Government for foster care maintenance pay-  
7 ments or for adoption assistance maintenance payments  
8 may be reduced by a percentage exceeding the applicable  
9 domestic sequestration percentage. No State may, after  
10 the date of the enactment of this Act, make any change  
11 in the timetable for making payments under a State plan  
12 approved under part E of title IV of the Social Security  
13 Act which has the effect of changing the fiscal year in  
14 which expenditures under such part are made.

15 (d) LOW-INCOME ENTITLEMENTS.—(1) Benefit pay-  
16 ments or payments to States or other entities for the pro-  
17 grams listed in paragraph (2) shall not be reduced by  
18 more than 1 percent under any sequestration order. When  
19 reduced under an end-of-session sequestration order, those  
20 benefit reductions shall occur starting with the payment  
21 made at the start of January. When reduced under a with-  
22 in-session sequestration order, those benefit reductions  
23 shall occur starting with the next periodic payment.

24 (2) The programs referred to in paragraph (1) are  
25 the following:

1 Aid to families with dependent children (75–  
2 0412–0–1–609);

3 Child nutrition (12–3539–0–1–605);

4 Food stamp programs (12–3505–0–1–605) and  
5 (12–3550–0–1–605);

6 Grants to States for medicaid (75–0512–0–1–  
7 551); and

8 Supplemental security income program (75–  
9 0406–0–1–609).

10 (e) FEDERAL RETIREMENT AND VETERANS' PRO-  
11 GRAMS.—

12 (1) For each of the programs listed in para-  
13 graph (2) and except as provided in paragraph (3),  
14 monthly (or other periodic) benefit payments shall  
15 be reduced by the uniform percentage applicable to  
16 direct spending sequestrations for such programs  
17 under section 221(c)(2), which shall in no case ex-  
18 ceed 2 percent under any sequestration order. When  
19 reduced under an end-of-session sequestration order,  
20 those benefit reductions shall occur starting with the  
21 payment made at the start of January or 7 weeks  
22 after the order is issued, whichever is later. When  
23 reduced under a within-session sequestration order,  
24 those benefit reductions shall occur starting with the  
25 next periodic payment.

1 (2) The programs subject to paragraph (1) are:

2 Benefits payable under sections 3(a),  
3 3(f)(3), 4(a), or 4(f) of the Railroad Retirement  
4 Act of 1974;

5 Benefits under chapter 21 of title 38,  
6 United States Code, relating to specially adapt-  
7 ed housing and mortgage-protection life insur-  
8 ance for certain veterans with service-connected  
9 disabilities (36-0137-0-1-702);

10 Benefits under section 907 of title 38,  
11 United States Code, relating to burial benefits  
12 for veterans who die as a result of service-con-  
13 nected disability (36-0155-0-1-701);

14 Benefits under chapter 39 of title 38,  
15 United States Code, relating to automobiles and  
16 adaptive equipment for certain disabled veter-  
17 ans and members of the Armed Forces (36-  
18 0137-0-1-702);

19 Black lung benefits (20-8144-0-7-601);

20 Central Intelligence Agency retirement and  
21 disability system fund (56-3400-0-1-054);

22 Civil service retirement and disability fund  
23 (24-8135-0-7-602);

24 Comptrollers general retirement system  
25 (05-0107-0-1-801);



1 Foreign service retirement and disability  
2 fund (19-8186-0-7-602);

3 Judicial survivors' annuities fund (10-  
4 8110-0-7-602);

5 Longshoremen's and harborworkers' com-  
6 pensation benefits (16-9971-0-7-601);

7 Military retirement fund (97-8097-0-7-  
8 602);

9 National Oceanic and Atmospheric Admin-  
10 istration retirement (13-1450-0-1-306);

11 Pensions for former Presidents (47-0105-  
12 0-1-802);

13 Railroad retirement tier II (60-8011-0-7-  
14 601);

15 Railroad supplemental annuity pension  
16 fund (60-8012-0-7-602);

17 Retired pay, Coast Guard (69-0241-0-1-  
18 403);

19 Retirement pay and medical benefits for  
20 commissioned officers, Public Health Service  
21 (75-0379-0-1-551);

22 Special benefits, Federal Employees' Com-  
23 pensation Act (16-1521-0-1-600);

24 Special benefits for disabled coal miners  
25 (75-0409-0-1-601);

1 Tax Court judges survivors annuity fund  
2 (23-8115-0-7-602);  
3 Veterans' compensation (36-0153-0-1-  
4 701); and  
5 Veterans' pensions (36-0154-0-1-701).

6 (f) MEDICARE PROGRAM.—

7 (1) CALCULATION OF REDUCTION IN INDIVID-  
8 UAL PAYMENT AMOUNTS.—To achieve the total per-  
9 centage reduction in those programs required by sec-  
10 tion 221, the percentage reduction that shall apply  
11 to payments under the health insurance programs  
12 under title XVIII of the Social Security Act for serv-  
13 ices furnished after any sequestration order is issued  
14 shall be such that the reduction made in payments  
15 under that order shall achieve the required total per-  
16 centage reduction in those payments for that fiscal  
17 year as determined on a 12-month basis.

18 (2) TIMING OF APPLICATION OF REDUC-  
19 TIONS.—

20 (A) IN GENERAL.—Except as provided in  
21 subparagraph (B), if a reduction is made under  
22 paragraph (1) in payment amounts pursuant to  
23 a sequestration order, the reduction shall be ap-  
24 plied to payment for services furnished after the  
25 effective date of the order. For purposes of the

1 previous sentence, in the case of inpatient serv-  
2 ices furnished for an individual, the services  
3 shall be considered to be furnished on the date  
4 of the individual's discharge from the inpatient  
5 facility.

6 (B) PAYMENT ON THE BASIS OF COST RE-  
7 PORTING PERIODS.—In the case in which pay-  
8 ment for services of a provider of services is  
9 made under title XVIII of the Social Security  
10 Act on a basis relating to the reasonable cost  
11 incurred for the services during a cost reporting  
12 period of the provider, if a reduction is made  
13 under paragraph (1) in payment amounts pur-  
14 suant to a sequestration order, the reduction  
15 shall be applied to payment for costs for such  
16 services incurred at any time during each cost  
17 reporting period of the provider any part of  
18 which occurs after the effective date of the  
19 order, but only (for each such cost reporting pe-  
20 riod) in the same proportion as the fraction of  
21 the cost reporting period that occurs after the  
22 effective date of the order.

23 (3) NO INCREASE IN BENEFICIARY CHARGES IN  
24 ASSIGNMENT-RELATED CASES.—If a reduction in  
25 payment amounts is made under paragraph (1) for

1 services for which payment under part B of title  
2 XVIII of the Social Security Act is made on the  
3 basis of an assignment described in section  
4 1842(b)(3)(B)(ii), in accordance with section  
5 1842(b)(6)(B), or under the procedure described in  
6 section 1870(f)(1) of such Act, the person furnishing  
7 the services shall be considered to have accepted  
8 payment of the reasonable charge for the services,  
9 less any reduction in payment amount made pursu-  
10 ant to a sequestration order, as payment in full.

11 (4) NO EFFECT ON COMPUTATION OF AAPCC.—  
12 In computing the adjusted average per capita cost  
13 for purposes of section 1876(a)(4) of the Social Se-  
14 curity Act, the Secretary of Health and Human  
15 Services shall not take into account any reductions  
16 in payment amounts which have been or may be ef-  
17 fected under this subtitle.

18 (g) FEDERAL PAY.—

19 (1) IN GENERAL.—Except as provided in sec-  
20 tion 222(b)(3), new budget authority to pay Federal  
21 personnel shall be reduced by the uniform percent-  
22 age calculated under section 221(c), but no seques-  
23 tration order may reduce or have the effect of reduc-  
24 ing the rate of pay to which any individual is enti-  
25 tled under any statutory pay system (as increased by

1 any amount payable under section 5304 of title 5,  
2 United States Code, or section 302 of the Federal  
3 Employees Pay Comparability Act of 1990) or the  
4 rate of any element of military pay to which any in-  
5 dividual is entitled under title 37, United States  
6 Code, or any increase in rates of pay which is sched-  
7 uled to take effect under section 5303 of title 5,  
8 United States Code, section 1009 of title 37, United  
9 States Code, or any other provision of law.

10 (2) DEFINITIONS.—For purposes of this sub-  
11 section:

12 (A) The term “statutory pay system” shall  
13 have the meaning given that term in section  
14 5302(1) of title 5, United States Code.

15 (B) The term “elements of military pay”  
16 means—

17 (i) the elements of compensation of  
18 members of the uniformed services speci-  
19 fied in section 1009 of title 37, United  
20 States Code,

21 (ii) allowances provided members of  
22 the uniformed services under sections 403a  
23 and 405 of such title, and

24 (iii) cadet pay and midshipman pay  
25 under section 203(c) of such title.

1 (C) The term “uniformed services” shall  
2 have the meaning given that term in section  
3 101(3) of title 37, United States Code.

4 (h) CHILD SUPPORT ENFORCEMENT PROGRAM.—  
5 Any sequestration order shall accomplish the full amount  
6 of any required reduction in expenditures under sections  
7 455 and 458 of the Social Security Act by reducing the  
8 Federal matching rate for State administrative costs  
9 under such program, as specified (for the fiscal year in-  
10 volved) in section 455(a) of such Act, to the extent nec-  
11 essary to reduce such expenditures by that amount.

12 (i) EXTENDED UNEMPLOYMENT COMPENSATION.—  
13 (1) A State may reduce each weekly benefit payment made  
14 under the Federal-State Extended Unemployment Com-  
15 pensation Act of 1970 for any week of unemployment oc-  
16 ccurring during any period with respect to which payments  
17 are reduced under an order issued under this subtitle by  
18 a percentage not to exceed the percentage by which the  
19 Federal payment to the State under section 204 of such  
20 Act is to be reduced for such week as a result of such  
21 order.

22 (2) A reduction by a State in accordance with sub-  
23 paragraph (A) shall not be considered as a failure to fulfill  
24 the requirements of section 3304(a)(11) of the Internal  
25 Revenue Code of 1986.

1 (j) COMMODITY CREDIT CORPORATION.—

2 (1) POWERS AND AUTHORITIES OF THE COM-  
3 MODITY CREDIT CORPORATION.—This subtitle shall  
4 not restrict the Commodity Credit Corporation in  
5 the discharge of its authority and responsibility as a  
6 corporation to buy and sell commodities in world  
7 trade, to use the proceeds as a revolving fund to  
8 meet other obligations and otherwise operate as a  
9 corporation, the purpose for which it was created.

10 (2) REDUCTION IN PAYMENTS MADE UNDER  
11 CONTRACTS.—(A) Payments and loan eligibility  
12 under any contract entered into with a person by the  
13 Commodity Credit Corporation prior to the time any  
14 sequestration order has been issued shall not be re-  
15 duced by an order subsequently issued. Subject to  
16 subparagraph (B), after any sequestration order is  
17 issued for a fiscal year, any cash payments made by  
18 the Commodity Credit Corporation—

19 (i) under the terms of any one-year con-  
20 tract entered into in or after such fiscal year  
21 and after the issuance of the order; and

22 (ii) out of an entitlement account,  
23 to any person (including any producer, lender, or  
24 guarantee entity) shall be subject to reduction under  
25 the order.

1           (B) Each contract entered into with producers  
2           or producer cooperatives with respect to a particular  
3           crop of a commodity and subject to reduction under  
4           subparagraph (A) shall be reduced in accordance  
5           with the same terms and conditions. If some, but  
6           not all, contracts applicable to a crop of a commod-  
7           ity have been entered into prior to the issuance of  
8           any sequestration order, the order shall provide that  
9           the necessary reduction in payments under contracts  
10          applicable to the commodity be uniformly applied to  
11          all contracts for succeeding crops of the commodity,  
12          under the authority provided in paragraph (3).

13           (3) DELAYED REDUCTION IN OUTLAYS PERMISSIBLE.—Notwithstanding any other provision of this  
14           subtitle, if any sequestration order is issued with re-  
15           spect to a fiscal year, any reduction under the order  
16           applicable to contracts described in paragraph (2)  
17           may provide for reductions in outlays for the ac-  
18           count involved to occur in the fiscal years following  
19           the fiscal year to which the order applies.

21           (4) UNIFORM PERCENTAGE RATE OF REDUC-  
22           TION AND OTHER LIMITATIONS.—All reductions de-  
23           scribed in paragraph (2) that are required to be  
24           made in connection with any sequestration order  
25           with respect to a fiscal year—



1 (A) shall be made so as to ensure that out-  
2 lays for each program, project, activity, or ac-  
3 count involved are reduced by a percentage rate  
4 that is uniform for all such programs, projects,  
5 activities, and accounts, and may not be made  
6 so as to achieve a percentage rate of reduction  
7 in any such item exceeding the rate specified in  
8 the order; and

9 (B) with respect to commodity price sup-  
10 port and income protection programs, shall be  
11 made in such manner and under such proce-  
12 dures as will attempt to ensure that—

13 (i) uncertainty as to the scope of ben-  
14 efits under any such program is mini-  
15 mized;

16 (ii) any instability in market prices  
17 for agricultural commodities resulting from  
18 the reduction is minimized; and

19 (iii) normal production and marketing  
20 relationships among agricultural commod-  
21 ities (including both contract and non-con-  
22 tract commodities) are not distorted.

23 In meeting the criterion set out in clause (iii)  
24 of subparagraph (B) of the preceding sentence,  
25 the President shall take into consideration that

1 reductions under an order may apply to pro-  
2 grams for two or more agricultural commodities  
3 that use the same type of production or market-  
4 ing resources or that are alternative commod-  
5 ities among which a producer could choose in  
6 making annual production decisions.

7 (5) CERTAIN AUTHORITY NOT TO BE LIM-  
8 ITED.—Nothing in this subtitle shall limit or reduce  
9 in any way any appropriation that provides the  
10 Commodity Credit Corporation with funds to cover  
11 the Corporation's net realized losses.

12 (k) THE JOBS PORTION OF AFDC.—

13 (1) FULL AMOUNT OF SEQUESTRATION RE-  
14 QUIRED.—Any sequestration order shall accomplish  
15 the full amount of any required reduction of the job  
16 opportunities and basic skills training program  
17 under section 402(a)(19), and part F of title VI, of  
18 the Social Security Act, in the manner specified in  
19 this subsection. Such an order may not reduce any  
20 Federal matching rate pursuant to section 403(l) of  
21 the Social Security Act.

22 (2) NEW ALLOTMENT FORMULA.—

23 (A) GENERAL RULE.—Notwithstanding  
24 section 403(k) of the Social Security Act, each  
25 State's percentage share of the amount avail-

1       able after sequestration for direct spending pur-  
2       suant to section 403(l) of such Act shall be  
3       equal to that percentage of the total amount  
4       paid to the States pursuant to such section  
5       403(l) for the prior fiscal year that is rep-  
6       resented by the amount paid to such State pur-  
7       suant to such section 403(l) for the prior fiscal  
8       year, except that a State may not be allotted  
9       an amount under this subparagraph that ex-  
10      ceeds the amount that would have been allotted  
11      to such State pursuant to such section 403(k)  
12      had the sequestration not been in effect.

13               (B) REALLOTMENT OF AMOUNTS REMAIN-  
14      ING UNALLOTTED AFTER APPLICATION OF GEN-  
15      ERAL RULE.—Any amount made available after  
16      sequestration for direct spending pursuant to  
17      section 403(l) of the Social Security Act that  
18      remains unallotted as a result of subparagraph  
19      (A) of this paragraph shall be allotted among  
20      the States in proportion to the absolute dif-  
21      ference between the amount allotted, respec-  
22      tively, to each State as a result of such sub-  
23      paragraph and the amount that would have  
24      been allotted to such State pursuant to section  
25      403(k) of such Act had the sequestration not

1           been in effect, except that a State may not be  
2           allotted an amount under this subparagraph  
3           that results in a total allotment to the State  
4           under this paragraph of more than the amount  
5           that would have been allotted to such State  
6           pursuant to such section 403(k) had the seques-  
7           tration not been in effect.

8           (l) POSTAL SERVICE FUND.—Notwithstanding any  
9   other provision of law, any sequestration of the Postal  
10 Service Fund shall be accomplished by a payment from  
11 that Fund to the General Fund of the Treasury, and the  
12 Postmaster General of the United States shall make the  
13 full amount of that payment during the fiscal year to  
14 which the presidential sequestration order applies.

15          (m) EFFECTS OF SEQUESTRATION.—The effects of  
16 sequestration shall be as follows:

17           (1) Budgetary resources sequestered from any  
18   account other than an entitlement trust, special, or  
19   revolving fund account shall revert to the Treasury  
20   and be permanently canceled.

21           (2) Except as otherwise provided, the same per-  
22   centage sequestration shall apply to all programs,  
23   projects, and activities within a budget account (with  
24   programs, projects, and activities as delineated in  
25   the appropriation Act or accompanying report for

1 the relevant fiscal year covering that account, or for  
2 accounts not included in appropriation Acts, as de-  
3 lined in the most recently submitted President's  
4 budget).

5 (3) Administrative regulations or similar ac-  
6 tions implementing a sequestration shall be made  
7 within 120 days of the sequestration order. To the  
8 extent that formula allocations differ at different  
9 levels of budgetary resources within an account, pro-  
10 gram, project, or activity, the sequestration shall be  
11 interpreted as producing a lower total appropriation,  
12 with that lower appropriation being obligated as  
13 though it had been the pre-sequestration appropria-  
14 tion and no sequestration had occurred.

15 (4) Except as otherwise provided, obligations in  
16 sequestered direct spending accounts shall be re-  
17 duced in the fiscal year in which a sequestration oc-  
18 curs and in all succeeding fiscal years.

19 (5) If an automatic spending increase is seques-  
20 tered, the increase (in the applicable index) that was  
21 disregarded as a result of that sequestration shall  
22 not be taken into account in any subsequent fiscal  
23 year.

24 (6) Except as otherwise provided, sequestration  
25 in accounts for which obligations are indefinite shall

1 be taken in a manner to ensure that obligations in  
2 the fiscal year of a sequestration and succeeding fis-  
3 cal years are reduced, from the level that would ac-  
4 tually have occurred, by the applicable sequestration  
5 percentage.

6 **SEC. 224. POINT OF ORDER.**

7 (a) IN GENERAL.—It shall not be in order in the  
8 House of Representatives or the Senate to consider any  
9 bill, joint resolution, amendment thereto, or conference re-  
10 port thereon that includes any provision that has the effect  
11 of modifying the application of this subtitle to any entitle-  
12 ment program subject to sequestration or exempt from se-  
13 questration under this subtitle.

14 (b) WAIVER OR SUSPENSION.—This section may be  
15 waived or suspended in the House of Representatives or  
16 the Senate only by the affirmative vote of three-fifths of  
17 the Members, duly chosen and sworn.

18 **Subtitle D—Balanced Budget by**  
19 **Fiscal Year 2002**

20 **SEC. 231. MAXIMUM SPENDING AMOUNTS.**

21 Section 601(a)(1) of the Congressional Budget Act  
22 of 1974 is amended to read as follows:

23 “(1) MAXIMUM SPENDING AMOUNT.—The term  
24 ‘maximum spending amount’ means—

1           “(A) with respect to fiscal year 1996,  
2           \$1,561,000,000,000 in outlays;

3           “(B) with respect to fiscal year 1997,  
4           \$1,592,000,000,000 in outlays;

5           “(C) with respect to fiscal year 1998,  
6           \$1,624,000,000,000 in outlays;

7           “(D) with respect to fiscal year 1999,  
8           \$1,657,000,000,000 in outlays;

9           “(E) with respect to fiscal year 2000,  
10          \$1,706,000,000,000 in outlays;

11          “(F) with respect to fiscal year 2001,  
12          \$1,757,000,000,000 in outlays; and

13          “(G) with respect to fiscal year 2002,  
14          \$1,810,000,000,000 in outlays.”.

15 **SEC. 232. ENFORCING MAXIMUM SPENDING SEQUESTRA-**  
16 **TION.**

17       (a) SEQUESTRATION.—Section 253(a) of the Bal-  
18       anced Budget and Emergency Deficit Control Act of 1985  
19       is amended to read as follows:

20       “(a) SEQUESTRATION.—Within 15 days after Con-  
21       gress adjourns to end a session (other than the One Hun-  
22       dred Third Congress), and on the same day as sequestra-  
23       tion (if any) under sections 251 and 252, but after any  
24       sequestration required by those sections, there shall be a  
25       sequestration (if necessary) to reduce total Federal spend-

1 ing to the maximum permissible level as set forth in sec-  
2 tion 601(a)(1) of the Congressional Budget Act of 1974.”.

3 (b) CONFORMING AMENDMENT TO HEADING.—The  
4 section heading of section 253 of the Balanced Budget and  
5 Emergency Deficit Control Act of 1985 is amended to  
6 read as follows:

7 **“SEC. 253. ENFORCING MAXIMUM SPENDING LIMITS.”.**

8 (c) ADDITIONAL CONFORMING AMENDMENTS.—Sec-  
9 tion 253 of the Balanced Budget and Emergency Deficit  
10 Control Act of 1985 is amended—

11 (1) by repealing subsections (b), (g), and (h),  
12 and by redesignating subsections (c), (d), (e), and  
13 (f), as subsections (b), (c), (d), and (e), respectively;

14 (2) in subsection (b) (as redesignated), by  
15 amending the first sentence to read as follows: “To  
16 reduce total Federal spending to the maximum per-  
17 missible level for a budget year, 20 percent of the  
18 required outlay reductions shall be obtained from  
19 non-exempt defense accounts (accounts designated  
20 as function 050 in the President’s fiscal year 1996  
21 budget submission) and 80 percent from non-ex-  
22 empt, non-defense accounts (all other non-exempt  
23 accounts).”;



1           (3) in subsection (c) (as redesignated), by strik-  
2       ing “subsection (c)” and inserting “subsection (b)”;  
3       and

4           (4) in subsection (e) (as redesignated), by strik-  
5       ing “(b), (c), (d), and (e)” and inserting “(b), (c),  
6       and (d)” and by striking “(d) or (e)” and inserting  
7       “(c) or “(d)”.

8       (d) LOOK-BACK SEQUESTER.—Section 253 of the  
9       Balanced Budget and Emergency Deficit Control Act of  
10      1985 is amended by adding at the end the following new  
11      subsection:

12      “(f) LOOK-BACK SEQUESTER.—

13           “(1) IN GENERAL.—On July 1 of each fiscal  
14      year, the Director of OMB shall determine if laws  
15      effective during the current fiscal year will cause  
16      spending to exceed the maximum spending amount  
17      for such fiscal year. If the limit is exceeded, there  
18      shall be a preliminary sequester on July 1 to elimi-  
19      nate the excess.

20           “(2) PERMANENT SEQUESTER.—Budget au-  
21      thority sequestered on July 1 pursuant to paragraph  
22      (1) shall be permanently canceled on July 15.

23           “(3) NO MARGIN.—The margin for determining  
24      a sequester under this subsection shall be zero.

1           “(4) SEQUESTRATION PROCEDURES.—The pro-  
2       vision of subsections (b), (c), and (d) of this section  
3       shall apply to a sequester under this subsection.”.

4       (e) REPORTS.—Section 254 of the Balanced Budget  
5       and Emergency Deficit Control Act of 1985 is amended—

6           (1) by striking subsection (c);

7           (2) in subsection (d)(1), by striking “deficit se-  
8       questration” and inserting “total spending seques-  
9       tration”;

10          (3) in subsection (d) by repealing paragraph (4)  
11       and inserting the following new paragraph:

12           “(4) TOTAL SPENDING SEQUESTRATION RE-  
13       PORTS.—The preview reports shall set forth for the  
14       budget year estimates for each of the following:

15           “(A) The amount of reductions required  
16       from defense accounts and the reductions re-  
17       quired from non-defense accounts.

18           “(B) The sequestration percentage nec-  
19       essary to achieve the required reduction in de-  
20       fense accounts under section 253(c).

21           “(C) The reductions required under sec-  
22       tions 253(d)(1) and 253(d)(2).

23           “(D) The sequestration percentage nec-  
24       essary to achieve the required reduction in non-  
25       defense accounts under section 253(d)(3).”; and

1           (4) in subsection (g)(3), by striking “DEFICIT”  
2           and inserting “TOTAL SPENDING” in the side head-  
3           ing and in the first sentence by striking “deficit”  
4           and inserting “total spending”.

5           (f) CONFORMING AMENDMENT TO TABLE OF CON-  
6           TENTS.—The item relating to section 253 is amended by  
7           striking “Enforcing deficit targets” and inserting “En-  
8           forcing maximum spending limits”.

9           **SEC. 233. TOTAL SPENDING POINT OF ORDER.**

10          (a) TOTAL SPENDING POINT OF ORDER.—Section  
11          605(b) of the Congressional Budget Act of 1974 is amend-  
12          ed to read as follows:

13          “(b) TOTAL SPENDING POINT OF ORDER.—

14               “(1) IN GENERAL.—It shall not be in order in  
15               the House of Representatives or the Senate to con-  
16               sider any bill, joint resolution, amendment thereto,  
17               or conference report thereon, that includes any pro-  
18               vision that would result in total spending for a fiscal  
19               year that exceeds the maximum permissible total  
20               spending amount for such fiscal year as set forth in  
21               section 601(a)(1).

22               “(2) WAIVER OR SUSPENSION.—This subsection  
23               may be waived or suspended in the House of Rep-  
24               resentatives or the Senate only by the affirmative

1        vote of three-fifths of its Members, duly chosen and  
2        sworn.”.



HR 2060 IH——2

HR 2060 IH——3

HR 2060 IH——4

HR 2060 IH——5